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ARAB STATES - ISRAEL: Egyptian and Israeli military representatives met again Monday at Kilometer 101 on the Cairo-Suez road. Following the session, initial press accounts said Israel had relinquished control of the Kilometer 101 checkpoint to UN forces, but according to later stories published in Cairo, the Egyptians claim the attempt to implement the cease-fire agreement at Kilometer 101 had broken down and had "reached a crisis stage." Egyptian Government sources charged that Israeli troops refused to pull back from the checkpoint. The semiofficial Cairo newspaper Al Ahram reported today that Egypt might refer the matter to the UN Secretary General.

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Regarding the checkpoints on the Cairo-Suez road, the Israelis reportedly are taking the position that UN forces will be permitted to be stationed alongside Israeli soldiers, but not as replacements for them. The Egyptians maintain that the six-point agreement does not provide simultaneous stationing of Israeli and UN forces at the checkpoints.

Israel reacted forcefully to the establishment of a UN checkpoint at the northwestern edge of Suez city late Monday afternoon. The Israelis told the UN contingent--made up of Finns--to abandon the checkpoint, and threatened to use force if this was not done within 15 minutes. After 25 minutes, Israeli soldiers entered the site, pulled down the UN flag, overturned the UN tent, and threatened to burn UN documents.

Tel Aviv subsequently acknowledged dismantling the UN post, but contended that the installation was a roadblock rather than a checkpoint and that it cut off the Israeli checkpoint at Suez from Israeli forces to the west. The Israelis appear to be claiming that the UN attempted to establish the post at a point not called for in the Egyptian-Israeli agreement. Minister of Defense Dayan later invited General Siilasvuo, the UN commander, to meet with him in Tel Aviv today "in order to avoid misunderstandings and incidents" in the operation of the UN Emergency Force. Siilasvuo replied that he was unable to go to Tel Aviv, but was prepared to meet Dayan or his representative in Suez city.

Israeli Transport Minister Peres announced yesterday that Israel would soon test the Egyptian blockade of the Bab al-Mandab by sending a ship through the

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(southern entrance to the Red Sea. The Israelis have continued to hit hard at this issue; both Prime Minister Meir and Deputy Prime Minister Allon have emphasized that the cease-fire is not a cease-fire without an end to hostile acts at sea as well as on land.

Mrs. Meir touched on other issues connected with negotiations at a press conference before her departure from the Socialist International meeting in London on Monday. Although she urged early direct talks, she also noted that her interpretation of negotiations does not exclude the presence of outside powers at a peace conference. She repeated Israel's opposition to the establishment of a Palestinian state on the West Bank and its determination to retain control of Jerusalem--where all religions would have freedom to administer their own holy places.

Reports of continued clashes marred the cease-fire on both fronts yesterday. Sporadic exchanges of artillery and small arms fire took place in the area on both sides of the Suez Canal. [REDACTED]

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[REDACTED] Radio Jerusalem charged the Egyptians with two violations of the cease-fire along the canal.

The US Consulate in Jerusalem reports that the Syrians have established a salient into Israeli lines west of Sasa. According to the report, the Israelis are attempting to liquidate the salient, and on 11-12 November small arms and artillery fire were reported in the area. [REDACTED]

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According to press accounts, Yasir Arafat, Fatah leader and Palestine Liberation Organization (PLO) chairman, arrived in Moscow on Sunday night. Arafat will reportedly be joined for talks with high Soviet officials by the top leaders of all the fedayeen organizations represented in the PLO. The Beirut press

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is suggesting the discussions in Moscow are a follow-up to the Soviet-fedayeen dialogue in late October on the subjects of participation by the PLO in post-war negotiations and the concept of an independent Palestinian state. Arafat met with Syrian, Iraqi, Saudi, and Egyptian leaders before leaving for Moscow.

The US Embassy in Beirut believes that Fatah and other fedayeen organizations support the PLO's participation in peace talks--or that they would go along under pressure from some Arab governments and the Soviet Union--should an invitation be forthcoming. The Embassy also believes a consensus is developing among the fedayeen in favor of a Palestinian state on the West Bank and Gaza.

Today's edition of Cairo's Al Ahram says that an agreement has been reached to hold an Arab summit meeting in Algiers, probably on 28 November. We cannot confirm the report. A meeting of the foreign ministers of the Arab League states has been called for 24 November in Cairo, according to the Middle East News Agency.

Secretary General Waldheim reported to the Security Council yesterday on the development of the United Nations Emergency Force. The force now has 1,600 troops in place. Waldheim announced that Kenya and Senegal have been invited to join the 11 states that have already agreed to provide soldiers. If Kenya and Senegal each provide a battalion, the Emergency Force will total little more than half its 7,000-man goal. Negotiations on the remaining national contingents are likely to be protracted, in view of the proviso that the Security Council take "balanced geographic representation" into account in fielding the force.

Meanwhile, the UN force in the Middle East continues to be hampered by shortages. Delays in the Soviet airlift of reinforcements and equipment from Helsinki have caused particular difficulties for the Finnish contingent serving in the area of Suez city.

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The Emergency Force also faces a possible financial crisis; Waldheim again appealed yesterday to UN members for advance contributions to fund the peacekeeping operation. The UN has no cash resources to meet the growing expenses of the force, and has made little progress toward creating a special assessment fund.

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FRANCE: Foreign Minister Jobert accused the US and USSR of establishing a "veritable condominium" that has reduced the European Communities to a state of impotence.

Jobert, in a speech to the parliament yesterday, claimed that the two had committed an error in "brutally brushing aside" France and Europe in the effort to reach a Middle East settlement. The Foreign Minister called on the EC to respond to this "humiliation" by urgent action toward political union.

Jobert's plea for effective political cooperation goes hand in hand with French President Pompidou's call on 31 October for regular EC summit meetings to "harmonize" actions and, in an initial session, to adopt procedures for a common approach to future crises.

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Although privately the French have been sharply critical of US actions in the Middle East, particularly Washington's alleged failure to consult adequately with its allies on such key moves as the military alert, Jobert's speech is the most outspoken official public display of the deep anger and frustration felt by France over recent events. It came at a time when other European countries such as the UK and Germany have been seeking to play down the strains in US-European relations.

France--as Jobert acknowledged in his address--is acutely aware of its dependence on US troops and nuclear weapons, and for this reason he wants to avoid a direct confrontation with Washington. But Paris also sees in the crisis a chance to exploit Europe's disenchantment with its relegation to the sidelines in the Middle East imbroglio and its growing awareness of the extent to which its own national interests differ from those of the US.

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NATO: Several alliance members are ready to help relieve the balance-of-payments burden the US incurs from stationing troops in Europe, but others continue to maintain a reserved or negative attitude toward multilateral burden-sharing proposals.

At a meeting of the North Atlantic Council on 8 November, Dutch, Norwegian, and Belgian representatives indicated that their countries will make contributions to lessen the US balance-of-payments deficit. The US Mission to NATO reports that the Netherlands and Norway apparently intend to increase their purchases of military equipment from the US. Brussels reportedly will propose that each NATO country negotiate a bilateral arrangement with the US and that the US payments to various NATO projects be reduced. Other council members were less specific, but most stated that their governments are studying how they can best contribute to a NATO-wide program to ease the US balance-of-payments problem.

The British, Canadian, and Turkish representatives, however, again indicated that their governments still have reservations about participating in a multilateral program. The West German delegate reiterated Bonn's view that it already contributes substantially to the US through its bilateral offset agreement. The West German, however, stated that Bonn would support a reduction of US payments to NATO's infrastructure budget if the other countries also agreed.

In discussions last week on a new offset agreement with the US, the West Germans raised their offer by agreeing to purchase an additional \$300 million worth of US military equipment. The US Embassy in Bonn believes that it is virtually certain that the West German cabinet will also decide to help finance the purchase of \$72 million worth of uranium enrichment services from the US as part of the offset agreement. The total West German offer of about \$1.4 billion is still less than half of what the US is asking. The German negotiators maintain that they can go no higher.

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The North Atlantic Council will meet again tomorrow to discuss burden-sharing, but it appears unlikely that the Europeans will be able to agree soon on specific solutions to this problem.

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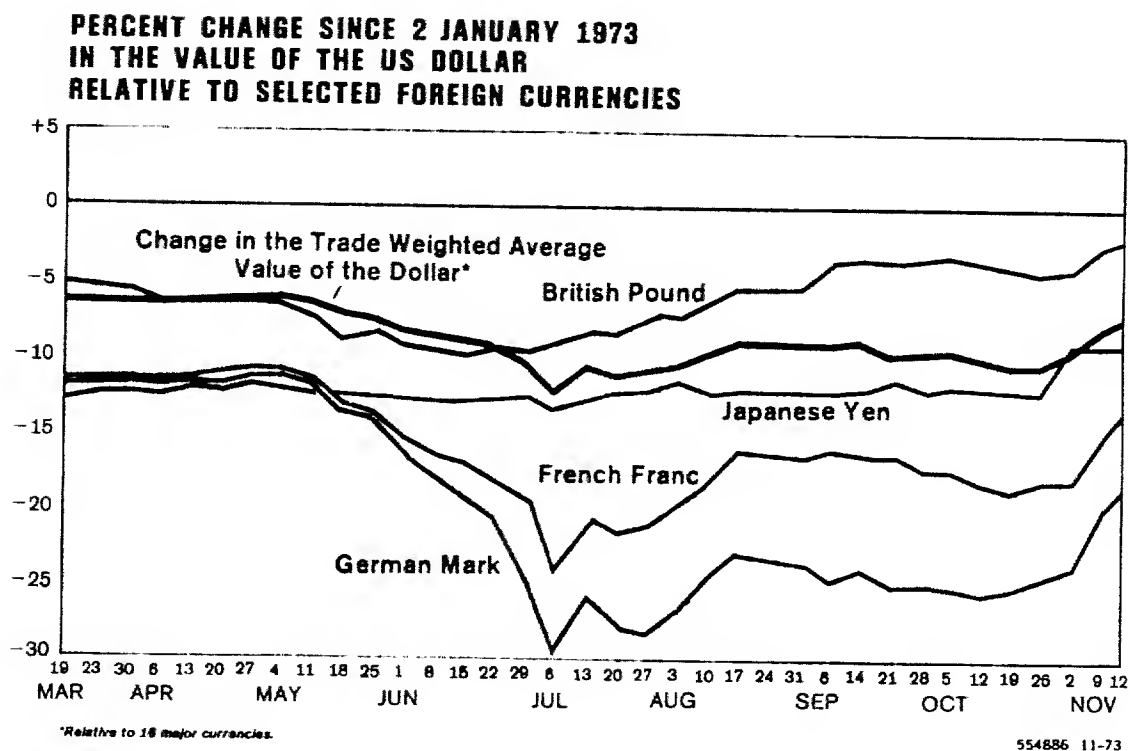
THE YEMENS: President Iryani of Yemen (Sana) and President Ali of Yemen (Aden) met in Yemen (Sana) on 10 November, apparently to develop further the relationship they established at the non-aligned conference in Algiers in September. That was the first meeting between the two leaders since they signed a unity agreement in November 1972 that neither really wants to see implemented.

Their latest talks may have been prompted in part by minor border clashes between elements of their respective armies over the past few weeks. Both leaders seem anxious to avoid serious fighting such as occurred before their agreement last year.

The US Embassy reports that sources in the Sana government have indicated that Iryani hopes to advance what he regards as the beginning of a modus vivendi with the Adeni regime made at the Algiers conference. In the meeting last weekend, Iryani sought an agreement that neither side would sanction terrorist operations against the other. In an effort to prevent provocative incidents, he refused last month to allow anti-Adeni guerrillas based in his country to establish camps along the border. Aden-sponsored saboteurs were active in the north earlier this year, but there have been few incidents since the two Yemeni leaders met in Algiers two months ago.

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Ali and Iryani probably did not spend much time discussing unity. Both look upon the resumption this week, after a month-long Ramadan hiatus, of perfunctory meetings of the specialized committees on unity as merely an exercise to appease the Libyans and other Arabs who have espoused the cause of Yemen unity.



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International Monetary Developments: The dollar continued its advance in active trading in major foreign exchange markets yesterday, reaching its highest position against the mark and French franc since last spring. The mark remains at the bottom of the European joint float band. The German central bank sold a small amount of Danish crowns to keep the mark within the float. The dollar also was strong relative to the Japanese yen. The Bank of Japan intervened substantially again on 12 November to prevent the yen from depreciating further relative to the US currency.

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**These items were prepared by CIA without consultation with the Departments of State and Defense.*

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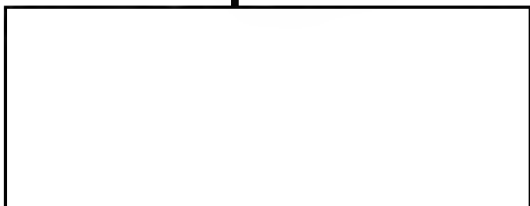
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